

TOWN OF DELMAR
AGREED-UPON PROCEDURES ON MUNICIPAL GRANTS
FOR THE YEAR ENDED JUNE 30, 2008



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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Town of Delmar
100 South Pennsylvania Avenue
Delmar, Delaware

We have performed the procedures enumerated below, which were agreed to by the Town of Delmar, State of Delaware's Office of the Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer, solely to assist the specified parties with respect to determining the Town's compliance with Delaware's applicable laws, regulations, financial reporting and the effectiveness of the internal control structure related to the municipal grant funds received for the year ended June 30, 2008. The Town of Delmar's management is responsible for compliance with those requirements.

This agreed-upon procedures attestation engagement was performed in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings were as follows:

1. Complete the State of Delaware Office of Auditor of Accounts municipal grants agreed-upon procedures program to determine the Town of Delmar's compliance with applicable laws, regulations and financial reports related to municipal grant funds received for the year ended June 30, 2008 and detail any instances of noncompliance.

The Town of Delmar received municipal grant funds under the following programs for the year ended June 30, 2008:

Municipal Street Aid
Police Pension
State Aid to Local Law Enforcement
Emergency Illegal Drug Enforcement

FINDING NO. 08-1 During completion of the Town of Delmar's program checklist for the municipal street aid grant, it was noted that their reimbursement to the Town's general fund for Municipal Street Aid Fund expenditures included expenditures not in accordance with 30 Del. C. §5165(a)(2) as follows:

Maintenance agreement for Police Department copier	\$262.40
Bank service charge for General Fund account	40.00
Duplicate payment for allowed expenditure	<u>109.20</u>
<u>Total</u>	<u>\$411.60</u>

The cause of the improper expenditures were as follows:

\$262.40	Town administrators believed that any expenditures of Police department equipment qualified for use of Municipal Street Aid funds, but 30 Del. C. §5165(a)(2) indicates allowable expenditures as " <u>Law Enforcement Essentials</u> -Patrol cars, short-wave radios, radar equipment, police uniforms, firearms, ammunition, flashers, flares, police salaries, and repair and maintenance to equipment mentioned".
\$40.00	A portion of the Town's total bank charges were inadvertently allocated to the Municipal Street Aid fund.
\$109.20	An expenditure was paid based on an invoice, and later also paid based on the vendor's monthly statement. The duplicate payment was returned by the vendor to the General Fund account, but the reimbursement report included both payments.

The failure to comply with the grant's requirements could result in the loss of future funding.

RECOMMENDATION The Town should review the expenditures included in the Municipal Street Aid Fund reimbursement before the check is written to the General Fund account. The Town should reimburse the Municipal Street Aid Fund for the expenditures.

TOWN'S PLAN FOR CORRECTIVE ACTION

The Town of Delmar shall comply with the State of Delaware's guidelines for Municipal Street Aid Funding by properly charging allowable expenditures. Furthermore, the Town shall be more thorough in preparing the annual report by examining the expenditures to ensure accuracy. Historically the Town of Delmar has complied with the guidelines and request that this shall not prevent receiving future grand funding from the State of Delaware.

2. Address the status of any findings and recommendations disclosed in previous reports.

FINDING NO. 05-1 During completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that the Municipal Street Aid grant monies were not deposited into the Municipal Street Aid cash account upon receipt as required by Delaware Code [30 Del. C. §5165(a)]. The Town directly deposited \$45,056.52 into the Town's general operating cash account. The failure to comply with the grant's requirements could result in the loss of grant funding.

CURRENT STATUS The current-year Municipal Street Aid grant monies were deposited into the separate Municipal Street Aid bank account.

FINDING NO. 05-2 During completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that monies used for Municipal Street Aid Fund expenditures were not properly documented at the date of deposit ([30 Del. C. §5165(a)(2)] and "Guidelines for Municipal Street Aid funding"). The Town made an error when depositing the grant of \$45,056.52 directly into the general fund prior to documenting the expenditures. Expenditures totaled \$43,583.02 before the deposit and \$1,472.98 after the deposit. The expenditures, however, were documented before the grant's year end at June 30, 2005. The failure to comply with the grant's requirements could result in the loss of grant funding.

CURRENT YEAR STATUS See finding No. 08-1

FINDING NO. 05-3 During the completion of the Town of Delmar's program checklist for the Municipal Street Aid grant, it was noted that their financial report was not properly prepared or reviewed [30 Del. C. §5165(b)(2)]. The interest income earned on the Municipal Street Aid funds were netted against bank charges, thereby understating interest income by \$120.00 and total expenditures by \$120.52. As a result, the ending fund balance was overstated by \$.52 on the annual report. Failure to prepare accurate financial reports could result in the loss of grant funding.

CURRENT YEAR STATUS The annual report for the Municipal Street Aid grant was accurately prepared.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with specified laws. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Delmar's management and council members, the State of Delaware's Office of Auditor of Accounts, Department of Homeland Security, and the Office of the State Treasurer and should not be used by those who have not agreed to the procedures and have not taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Grabowski, Sparano
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Wilmington, Delaware
December 15, 2008